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HOUSE RESEARCH ORGANIZATION

daily floor report

Thursday, April 11, 2013
83rd Legislature, Number 49
The House convenes at 10 a.m.

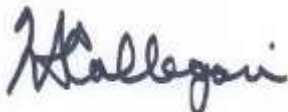
Five bills are on the daily calendar for second-reading consideration today. The bills are analyzed in today's *Daily Floor Report* and are listed on the following page.

One postponed bill, HB 1290 by Phillips, is on the supplemental calendar for second-reading consideration today. The analysis is available at the HRO website at: <http://www.hro.house.state.tx.us/pdf/ba83R/HB1290.PDF>.

The House will consider a Local, Consent, and Resolutions Calendar and a Concurrent Resolutions Calendar today.

The House Appropriations Committee had a formal meeting scheduled for 8 a.m. in Room E1.030. The following House committees had public hearings scheduled for 8 a.m.: Defense and Veterans' Affairs in Room E2.012 and Homeland Security and Public Safety in Room E2.010.

The following House committees have public hearings scheduled for 10:30 a.m. or on adjournment: County Affairs in Room E2.016 and the Select Committee on Criminal Procedure Reform in Room E2.028.



Bill Callegari
Chairman
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HOUSE RESEARCH ORGANIZATION

Daily Floor Report
Thursday, April 11, 2013
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SUBJECT: Changes to governance and other revisions to Port of Houston Authority

COMMITTEE: Special Purpose Districts — committee substitute recommended

VOTE: 8 ayes — D. Bonnen, D. Miller, Alvarado, Clardy, Goldman, Krause,
Stickland, E. Thompson

0 nays

1 absent — Lucio

WITNESSES: For — Ned Holmes

Against —Michel Bechtel, City of Morgan's Point; Steve Cote, City of Pasadena; Stephen DonCarlos, City of Baytown; Brenda Hellyer, Economic Alliance Houston Port Region; Jack Morman, Harris County, Precinct 2; Darrell Morrison, City of Pasadena; Wayne Riddle, City of Deer Park; Terry Sain, Harris County Mayors' and Councils' Association; David Stall, City of Shoreacres; (*Registered, but did not testify*: Chad Burke, Economic Alliance; Jimmy Burke, Port of Houston Authority; Tim Culp, Deer Park Chamber of Commerce; Rene Lara, Texas AFL-CIO; James Martin, City of La Porte Texas; Mario Martinez, City of Houston; Steve Phelps, Port of Houston Authority; Cathy Sisk, Harris County)

On —Hillary Corgey; Patricia Gonzales, Texas organizing projects; Janiece Longoria, Port of Houston Authority; Adrian Shelley, Air Alliance Houston; Bel St. John, Air Alliance Houston; Katharine Teleki, Sunset Commission staff; Leonard Waterwort, Port of Houston Authority; Theodore “Tod” Wickersham, Public Citizen Texas office

BACKGROUND: The Port of Houston Authority, originally formed in 1911, is a governmental agency organized through powers set forth in the Texas Constitution, Texas Water Code, and various general and special laws of Texas. The authority supports the 52-mile Houston Ship Channel, which includes more than 150 public and privately owned terminals and industrial facilities, and owns and operates a handful of the facilities itself.

Economic activity along the channel contributed to more than 1 million

jobs and \$178 billion in economic activity in the state, according to the Sunset Advisory Commission. Much of the activity is driven by the petrochemical industry. The channel ranked first among U.S. ports in 2011 in total foreign trade and imports and second in total trade, exports, and total domestic trade.

The authority:

- acts as the federally designated local sponsor of the channel, partnering with the U.S. Army Corps of Engineers to oversee development and maintenance of the federal waterway;
- owns and operates two container terminals and five public-use general cargo facilities;
- markets and develops trade opportunities for authority facilities and the channel;
- maintains police and fire departments, partners with industry and governmental entities on security issues, and complies with U.S. Coast Guard regulations;
- acts as the regulatory body for the Houston port pilots;
- ensures compliance with environmental regulations for activities on authority property and participates in environmental stewardship activities along the channel; and
- participates in community development activities.

The authority is overseen by a seven-member commission, with the chair jointly appointed by the City of Houston and Harris County. The other six members include two appointed by Harris County, two by the City of Houston, one by the Harris County Mayors' and Councils' Association, and one by the City of Pasadena. Members serve two-year terms.

The agency is not subject to abolishment under the Texas Sunset Act.

DIGEST:

CSHB 1642 would make adjustments to the governance, management, and operating structure of the Port of Houston Authority. It would:

- require term limits, appointment of new commissioners to replace those who had served for 12 years, and procedures to encourage timely appointments;
- require best practices and ethics standards, strategic and capital plans, internal audit procedures, and policies for and reporting of expenditures from its Promotion and Development Fund;

- transfer the authority's un-codified session law into the Special Districts Local Laws Code and repeal several obsolete provisions; and
- require the authority undergo another Sunset review in four years with the cost of the review paid by the authority.

Governance. CSHB 1642 would maintain the existing, locally appointed, seven-member commission but add staggered, two-year terms limited to 12 years. Current terms would expire on October 1, 2013, and anyone who had previously served for 12 years would be ineligible for reappointment.

CSHB 1642 would specify the date, location, and voting procedures for the joint appointment of the commission chair by the City of Houston and Harris County. If appointments of the chair were not made according to the new procedures and time lines, the power to make appointments would rotate to the governor. For all other appointments, the appointment power would first rotate to another local appointing entity and then, if not made in a timely manner, to the governor.

Best practices and ethics. CSHB 1642 would provide best practices and ethics provisions for the commission and commissioners, including:

- conflicts of interest requirements;
- filing of financial statements with the authority and the Texas Ethics Commission;
- training requirements;
- grounds for the removal from office;
- adoption of policies documenting commission governance;
- requiring the appointment of an executive director of the authority every two years;
- standards of conduct and ethics and establishment of an abuse hotline;
- a requirement for complaints policy and public involvement;
- adoption of an expense policy; and
- adoption of a whistleblower policy.

Promotion and Development Fund. The authority would adopt policies and provide public reports about its Promotion and Development Fund expenditures.

Strategic and capital plans. The authority would develop strategic plans,

including a long-range plan adopted by the commission, and an annual capital plan adopted by the commission, and would provide public access to budget and planning information.

Internal audits. The commission would establish an internal audit procedure and create an internal audit task force consisting of commissioners. The Harris County auditor could conduct a financial audit of the authority as part of an annual, countywide risk assessment and audit plan.

Codification and repealers. CSHB 1642 would transfer the authority's un-codified session law into the Special Districts Local Laws Code and repeal several outdated and obsolete provisions, including validation clauses, and outdated language regarding bonds that have been paid.

Effective date. This bill would take September 1, 2013.

SUPPORTERS
SAY:

CSHB 1642 would improve the management and operating structure of the Port of Houston Authority and provide accountability for the commission that oversees it.

Governance. During the last few years, the Port of Houston Authority has endured public criticism, including allegations of misconduct by top officials, that have contributed to public skepticism about its governance. Ongoing problems with the authority have not been dealt with adequately at the local level.

A lack of clear statutory parameters for commissioner terms has led to haphazard appointment dates and a trend of continually reappointed members. Current requirements are that the terms should be two years or until a successor is qualified. The start and end dates of each commissioner's term are not described and are left to each appointing entity to determine. The result is a confusing scheme in which reappointment dates can slip and service time can be stretched indefinitely without the member having to go through the appointment process. This practice limits accountability for members and appointing entities. By contrast, most state agency boards have staggered terms that clearly expire on a date specified in statute in order to encourage the orderly transition of members.

CSHB 1642 would reset current commissioners' terms and limit terms to

12 years, preventing anyone who had previously served for 12 years from being eligible for reappointment. This would make four of the seven current members ineligible for reappointment. The Port of Corpus Christi, the most comparable Texas port with multiple appointing entities, has term limits of 12 years.

The bill also would add requirements to encourage timely appointments while maintaining local control. Clear direction on member terms and appointments would allow the authority to start new, foster accountability, and prevent the development of a potentially detrimental power base. The authority may be a local entity by name and organization, but its impact extends beyond the boundaries of the population whose trust and support it needs to succeed.

Best practices and ethics. CSHB 1642 would require standard best practices to promote ethics and good governance for the commission and authority staff. The combination of best practices, general state laws, and standard Sunset provisions would promote accountability and trust in the commission and the organization. The authority would benefit from clear, specific guidelines, such as standard financial disclosure and conflict-of-interest provisions to promote accountability and transparency. This would help protect against potential misuse of public office for personal gain. While general statutes contain similar concepts, applying specific provisions to the authority would clarify their application to the commission and promote greater public trust.

The authority has suffered some public mistrust and was rated poorly in a survey regarding openness and responsiveness to the public. CSHB 1642 would promote public involvement and outreach with the authority's stakeholders and the community and require the authority to adopt a policy for handling complaints. This would help promote understanding of how stakeholders could engage with the authority and what to expect from these interactions. By making this effort more comprehensive and proactive, the authority could consider ways to develop regular and more meaningful public interactions through all of its activities and programs.

Promotion and Development Fund. CSHB 1642 would require the authority to adopt policies and provide public reports about Promotion and Development Fund expenditures. Use of this fund requires additional controls and transparency to avoid future controversy and distraction.

Strategic and capital plans. The commission currently does not formally adopt the organization's strategic plan or capital plan, instead focusing on approval of individual projects as they are ready for procurement. CSHB 1642 would require the commission to approve strategic and capital plans developed by the authority. This would solidify the authority's progress toward improved planning and create a documented, justified approach to assist in explaining and measuring its goals and ultimately achieving its mission.

Internal audits. Unlike many public and private sector organizations, the authority has never had a standard internal audit function. Internal auditing allows for regular, independent evaluation and scrutiny of an organization's financial, managerial, and compliance risks and provides management and governing bodies with accurate and consistent information to evaluate operations and identify potential risks before they result in more serious problems. CSHB 1642 would require the commission to establish an internal audit procedure and create an internal audit task force consisting of commissioners. This would help achieve accountability and integrity, improve operations, and instill confidence among stakeholders and the public.

OPPONENTS
SAY:

While CSHB 1642 would make many improvements to the management and operating structure of the Port Authority, it would damage the current composition of the commission and limit the discretion of the local appointing entities. The bill also would fail to make certain improvements that could strengthen the commission.

CSHB 1642 would require commissioners who had already served 12 years be swept from office as of October 1, 2013. This would make four of the seven commission members ineligible for the appointments, leaving a void of institutional knowledge and expertise. Educating more than half of the commission would take time and could disrupt working relationships. Further, the 12-year term limit would usurp local control because appointing entities currently have the opportunity to limit terms by appointing new members, depending on the performance of current members. The bill would take that discretion from the local appointing entity and would force out valuable members by imposing an arbitrary time line.

Also, while CSHB 1642 would maintain the joint appointment of the commission chair by Harris County Commissioners Court and the City of

Houston, it would be more appropriate and enhance trust if the members of the commission elected the chair.

CSHB 1642 also would maintain the current two-year term for the commissioners. Given the complex nature of the authority's \$292 million annual budget, two years is simply not enough time for a person to learn the organization and make a meaningful contribution, and it further encourages ongoing reappointments. Commissioner terms should be lengthened from two to four years, as recommended by the Sunset Advisory Commission and included in the introduced version of the bill.

OTHER
OPPONENTS
SAY:

While CSHB 1642 would make some valuable changes, the bill would do little to ensure that the commission members had an appropriate level of expertise and that they maintained a connection to the citizens that the authority impacts and the state as a whole.

A wholly governor-appointed commission with the governor designating the chair, as provided in the introduced version of the bill, would be a more appropriate way to govern the authority. By leaving exclusive appointment power in the hands of local entities, the authority lacks a more direct link to state-level policymaking and oversight. Members of the commission are not required to have any specific qualifications beyond being property owners living in Harris County. Governance would improve by having representatives with state interests and expertise directly related to overseeing complex business operations similar to the authority's. If it were deemed appropriate to maintain a locally appointed commission, adding one member appointed by the governor would provide a much-needed link to the state.

While CSHB 1642 would consider the community by promoting public involvement and outreach, it also should require that the commission include a citizen representative from the areas along the Houston Ship Channel. This would ensure that those most affected by the authority would have a voice on the commission. Further, the authority should be required to establish a permanent Port of Houston Citizens Advisory Council consisting of members in the areas along the Houston Ship Channel.

NOTES:

Fiscal note. CSHB 1642 would not have a significant cost to the state. The Sunset Advisory Commission would be required to conduct another review of the authority during the 2016-17 biennium, but the authority

would pay the costs of \$216,084 in fiscal 2016 and \$24,009 in fiscal 2017.

Comparison of original to substitute. CSHB 1642 differs from the introduced bill in that it would:

- maintain a commission that is locally appointed, rather than governor-appointed;
- provide that the commissioners serve staggered two-year terms with a maximum of 12 years on the commission, rather than staggered four-year terms with a maximum of three terms;
- add requirements regarding appointments and specify that if appointments were not made according to the new procedures and time lines the appointing authority would rotate to another entity; and
- make many minor, technical changes, such as repealing obsolete language.

Companion bill. The companion bill, SB 203 by Whitmire, was referred to the Senate Committee on Transportation on February 25.

SUBJECT: Excused absences from public school for student parents

COMMITTEE: Public Education — favorable, without amendment

VOTE: 10 ayes — Aycock, Allen, J. Davis, Deshotel, Dutton, Farney, K. King, Ratliff, J. Rodriguez, Villarreal

0 nays

1 absent — Huberty

WITNESSES: For — Karin Hopkins, Any Baby Can; Marilyn Doyle; Ana Ortiz; Steve Swanson; Julie Weeks; (*Registered, but did not testify:* Yannis Banks, Texas NAACP; Portia Bosse, Texas State Teachers Association; Miryam Bujanda, Methodist Healthcare Ministries); Jesus Chavez, Texas School Alliance; Monty Exter, Association of Texas Professional Educators; Eileen Garcia, Texans Care for Children; Dwight Harris and Ted Melina Raab, Texas AFT; Marshall Kenderdine, Texas Pediatric Society; Ken McCraw, Texas Association of Community Schools; Casey McCreary, Texas Association of School Administrators; Don Rogers, Texas Rural Education Association; Julie Shields, Texas Association of School Boards)

Against — None

On — David Anderson, Texas Education Agency; (*Registered, but did not testify:* Lisa Dawn-Fisher, Texas Education Agency)

BACKGROUND: Under Education Code, sec. 25.087(b), a school district must excuse a student from attending school for a variety of reasons, including a temporary absence resulting from a health-care-related appointment if the student commences classes or returns to school on the same day of the appointment.

A student who misses school for a medical appointment may not be penalized for that absence and must be counted as if the student attended school for purposes of calculating average daily attendance. The student must be allowed a reasonable time to make up missed school work, and

the day of absence must be counted as a day of compulsory attendance if the student satisfactorily completes the school work.

DIGEST:

HB 455 would require school districts to excuse students for a temporary absence when they took their children to a health-care appointment.

The bill would take immediate effect if passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013, and would apply beginning with the 2013-14 school year.

**SUPPORTERS
SAY:**

HB 455 would help teen parents accomplish their educational goals by excusing school absences that result when they take their children to medical appointments. It is important to encourage students to continue their education after becoming parents. Texas ranks fourth among states in the rate of teen births, with a total of about 48,000 in 2010. Only about 51 percent of teen moms have a high school diploma, according to the National Campaign to Prevent Teen Parenting. This bill would remove one obstacle to student parents graduating from high school.

The bill would allow student parents time away from school to promote the health of their young children at a critical point in their lives. Up to age one, babies require well-care checks at two, four, six, nine, and 12 months. It is important for parents to attend these appointments because they receive important safety and developmental information about their children. A pediatrician testified that a child under the age of 3 averages about eight respiratory tract infections a year, which also may require visits to a health care professional.

HB 455 would help student parents take the necessary time to care for their children without paying a penalty for missing class. Students may be denied credit for a class if they are not in attendance for at least 90 percent of the days the class is offered, and those who miss too many days risk being referred to court for truancy. The court can require them to pay a fine and perform community service.

School districts may have discretion to excuse such absences, but many are not doing so. Under HB 455, a uniform policy would apply to this type of absence. Schools now are discouraged from allowing these absences to be excused because the school does not receive funding unless the absence is outlined in statute as one that must be excused.

If these absences were excused by law, districts would be required to give students the opportunity to make up the work missed. Current law requiring a student to attend school the day of a health care appointment to receive the excused absence also would apply to students taking their children to the doctor. This would ensure that student parents missed the minimum amount of class time.

**OPPONENTS
SAY:**

HB 455 could result in loss of instructional time for a population of students who need it most. Texas law already allows school districts discretion to excuse student absences for any reason acceptable to the district. Local school officials are in the best position to determine if student absences related to their children's medical appointments should be excused.

**OTHER
OPPONENTS
SAY:**

Students who need to take other family members to medical appointments also should qualify for excused absences. High school students occasionally need to help their families by accompanying siblings or driving parents to medical appointments. These absences should be excused in the same manner as absences for students taking their children to medical appointments under HB 455.

SUBJECT:	Conforming change for Major Events Trust Fund eligibility
COMMITTEE:	Economic and Small Business Development — favorable, without amendment
VOTE:	7 ayes — J. Davis, Vo, Bell, Isaac, Murphy, Perez, Workman 0 nays 2 absent — Y. Davis, E. Rodriguez
WITNESSES:	For — (<i>Registered, but did not testify</i> : Jim Brothers, Experience Arlington; Ron Hinkle, Texas Travel Industry Association; TJ Patterson, City of Fort Worth; Luis Saenz, City of Irving; Jon Weist, Arlington Chamber of Commerce; Monty Wynn, Texas Municipal League) Against — None
BACKGROUND:	Vernon’s Texas Civil Statutes, Article 5190.14 establishes the state’s Major Events Trust Fund, which uses the local and state tax revenue increases directly attributable to major events to offset the costs cities and counties incur by hosting the events. Currently, the National Collegiate Athletic Association (NCAA) Bowl Championship Series qualifies as an event eligible to receive funding from the Major Events Trust Fund.
DIGEST:	HB 1019 would add the successor to the NCAA Bowl Championship Series or a NCAA Division I Football Bowl Subdivision postseason playoff or championship game as an event eligible to receive funding from the Major Events Trust Fund. This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.
SUPPORTERS SAY:	HB 1019 would simply codify the NCAA Bowl Championship Series’ terminology change so that its successor could remain eligible for funding from the Major Events Trust Fund. The bill would not add a new event eligible to receive funding. Without HB 1019, Texas communities could lose a tool to attract future NCAA Division I football playoff or

championship games.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The identical companion, SB 398 by Hancock, was passed by the Senate with a vote of 31-0 on March 13 and reported favorably from the House Economic and Small Business Development Committee on April 3.

SUBJECT: Increasing certain records fees charged by district and county clerks

COMMITTEE: Judiciary and Civil Jurisprudence — favorable, without amendment

VOTE: 9 ayes — Lewis, Farrar, Farney, Gooden, Hernandez Luna, Hunter, K. King, Raymond, S. Thompson
0 nays

WITNESSES: For — Sherri Adelstein; Laura Hinojosa; Teresa Kiel; Cynthia Mitchell; (*Registered, but did not testify:* Jim Allison, County Judges and Commissioners Association of Texas; John Dahill, Texas Conference of Urban Counties; Joyce Hudman, Brazoria County Clerk; Jim Jackson, Kofile Preservation; Seth Mitchell, Bexar County Commissioners Court; Craig Pardue, Dallas County; Caroline Woodburn, Potter County District Clerk)

Against — None

On — John Rothermel, Stewart Title Guaranty Company

BACKGROUND: Government Code, sec. 51.305(b) allows district clerks to collect a filing fee of up to \$5 to maintain district court records and archives. Local Government Code, sec. 118.011(b) allows county clerks to charge a fee of up to \$5 for ongoing records management and preservation. County clerks also may charge a fee of up to \$5 for records archival projects under Local Government Code, sec. 118.011(f).

DIGEST: HB 1513 would increase the cap for the district court records archive fee collected by district clerks to \$10 from \$5. It also would increase the cap for the records management and preservation fee and records archive fee collected by county clerks to \$10 from \$5.

The bill would take effect on September 1, 2013, and increases would apply only to fees that become payable on or after that date.

SUPPORTERS SAY: HB 1513 would give district and county clerks needed additional funds to preserve and archive irreplaceable records in a timely manner. Clerks are

stretched to maintain day-to-day record-processing efforts and lack the necessary funds to start new archival or preservation projects for old and decaying files. Increased record-preservation fees would allow district and county clerks to help clear project backlogs and even start additional preservation efforts. The bill would provide the tools needed to meet records preservation and retention standards at levels required by state law and certain best-practice guidelines.

The higher fees would not have a chilling effect on real estate in Texas because locally enacted increases would be too small. The Denton County Clerk, whose office is in one of the fastest-growing counties in the United States, estimated a real-estate transaction would have cost \$15 more if the increased fees were in place in 2012. Further, the funds would allow district and county clerks to better maintain the records their constituents and local businesses rely on. These improvements would outweigh any increased burden on filers.

The bill should not be bracketed by county population size because large counties often need the additional funding as much as smaller counties. Often larger counties face larger backlogs than counties with smaller populations because of a larger volume of filings. HB 1513 would provide clerks in all counties the flexibility to set their records preservation fees at a rate of up to \$10. If a clerk's office finished its archival projects or did not need the additional funding, those offices would not be required to raise their fees and likely would not do so.

It is not necessary to restrict county budgetary decisions regarding collection and use of the fees because current oversight is sufficient. In each case, the fees are either initiated or approved by elected county commissioners courts or clerks and their collection and use are monitored by county auditors. Some fees are only temporary and expire once an archive project funded with the fees has been paid off.

**OPPONENTS
SAY:**

By increasing these fees, HB 1513 could particularly chill the Texas real-estate market because every real estate transaction would be subject to one or multiple fee increases. These higher filing fees would make transactions more expensive, skewing the market. While this might not prevent any one particular transaction from taking place, increased filing fees would have an effect over time.

The bill should be bracketed so that only counties with smaller

populations were able to increase these fees. Larger counties already have enough filings to raise necessary funds. For example, Harris County received more than 4,700 real property filings on a recent business day. If the county clerk's office collected both the increased records-management and preservation fees and the records archive fees it would have collected \$94,000, an increase of \$47,000 attributable to the fees proposed in HB 1513. These are substantial sums for which there is no possible need. Large counties have either completed their records preservation backlog or will do so in the foreseeable future. At some point these fees amount to a tax on filings.

Moreover, commissioners courts would be tempted to reduce a clerk's budget by the amount of the fee increase and spend it elsewhere. To prevent this, the bill should prohibit a county from reducing a district's or county clerk's budget used for carrying out official duties by the amount collected through increased records-management fees.

NOTES:

The companion bill, SB 1229 by West, was referred to the Senate Jurisprudence Committee on March 13.

SUBJECT: Giving promotional items during the sale of insurance

COMMITTEE: Insurance — favorable, without amendment

VOTE: 9 ayes — Smithee, Eiland, G. Bonnen, Creighton, Morrison, Muñoz, Sheets, Taylor, C. Turner

0 nays

WITNESSES: For — Jennifer Cawley, Texas Association of Life and Health Insurers (*Registered, but did not testify*: Fred Bosse, American Insurance Association; Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; Bo Gilbert, USAA; Paul Martin, National Association Of Mutual Insurance Companies; Miles Mathews, Guardian Life Insurance Company; Kandice Sanaie, Texas Association Of Business; Joe Woods, Property Casualty Insurers Association of America)

Against — None

On — (*Registered, but did not testify*: Doug Danzeiser, Texas Department of Insurance)

BACKGROUND: The Insurance Code contains several sections that prohibit the giving of certain inducements and rebates during the offer or sale of annuities and life, health, automotive, fire, and casualty insurance.

DIGEST: HB 1905 would allow insurers to give consumers certain items during the offer or sale of annuities and life, health, automotive, fire, and casualty insurance. These could include promotional items, educational items, or other items commonly given to consumers as a courtesy, if the items were valued at \$25 or less.

HB 1905 would take effect September 1, 2013.

SUPPORTERS SAY: HB 1905 would align practices in the insurance industry with those in other industries by allowing insurance agents to give their clients promotional items of little value. Giving baseball hats, coffee mugs, and other low-value items promotes business and often provides useful information, such as agent contact information. The current statute was

designed to prohibit the giving of cash rebates to customers during the offer and sale of insurance products, and nothing in HB 1905 would allow such rebates.

Many larger insurance companies do business in a number of states, and Texas' inducement and rebate standards are out of line with rebate and inducement standards in several other states. There has been not been a rash of abuse in other states where small gifts are given.

The value of such items is small compared to the cost of the insurance product that is being offered for sale. Therefore, the promotional items are not a true inducement and should be excluded from the broad inducement and rebate prohibition.

Some insurance companies interpret current law as too restrictive, prohibiting the direct donation to individuals of items such as blankets and personal hygiene kits during times of natural disasters. HB 1905 would ensure that an insurance company could make such donations, as long as the donation's value did not exceed \$25.

**OPPONENTS
SAY:**

HB 1905 would reverse the state's longstanding policy of banning gifts during the offer or sale of insurance products. It would remove a clear barrier that protects the consumer from being enticed into purchasing insurance products. The decision to buy an insurance product should be based solely on the product offered and the product's price. Giving gifts during the offer or sale of the insurance product clouds clear monetary transactions.

NOTES:

The identical companion bill, SB 840 by Hancock, passed unanimously out of the Senate on March 21. It was referred to the House Insurance Committee on April 8.